DENISON MINES LIMITED

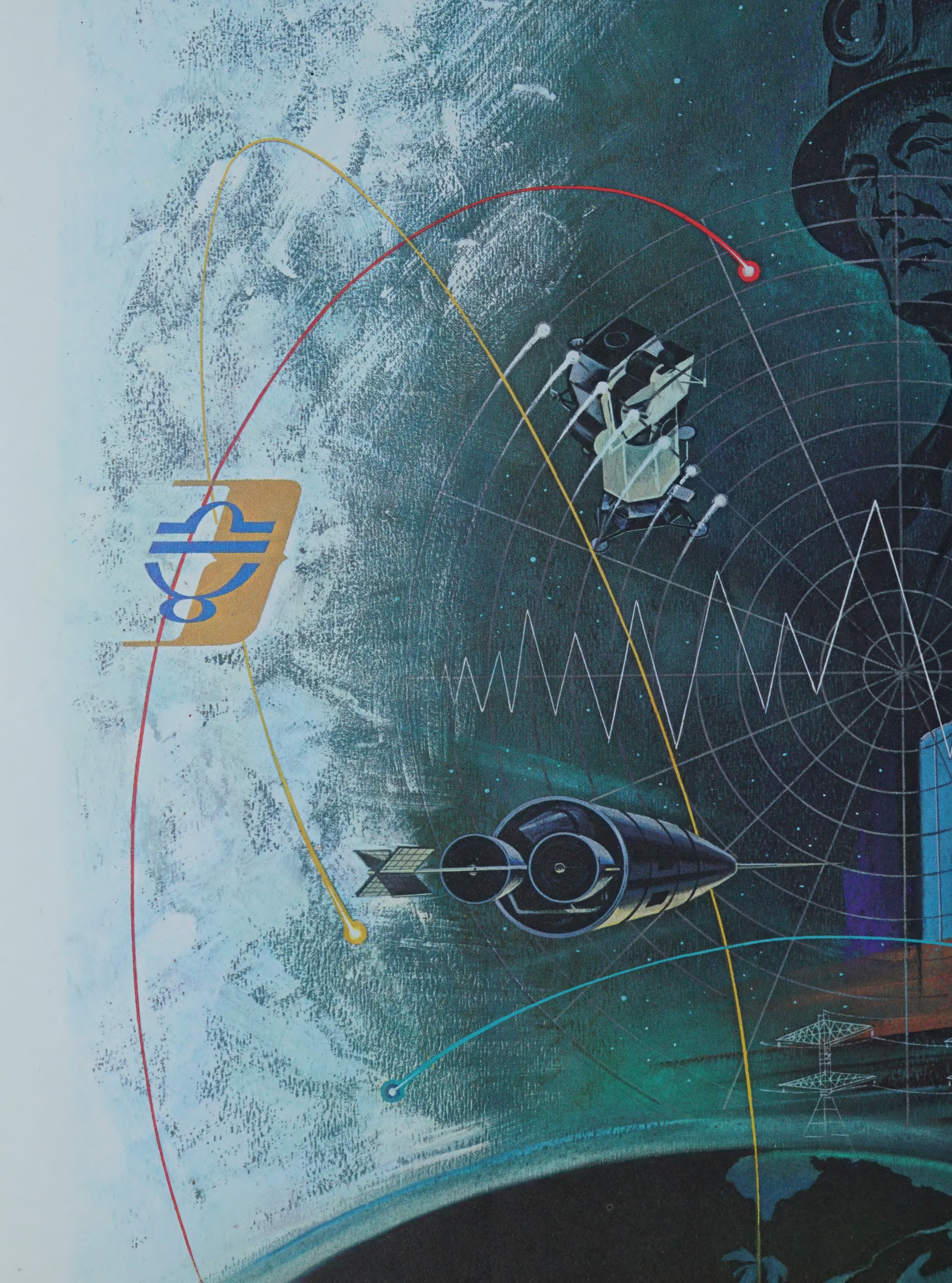
ANNUAL
REPORT

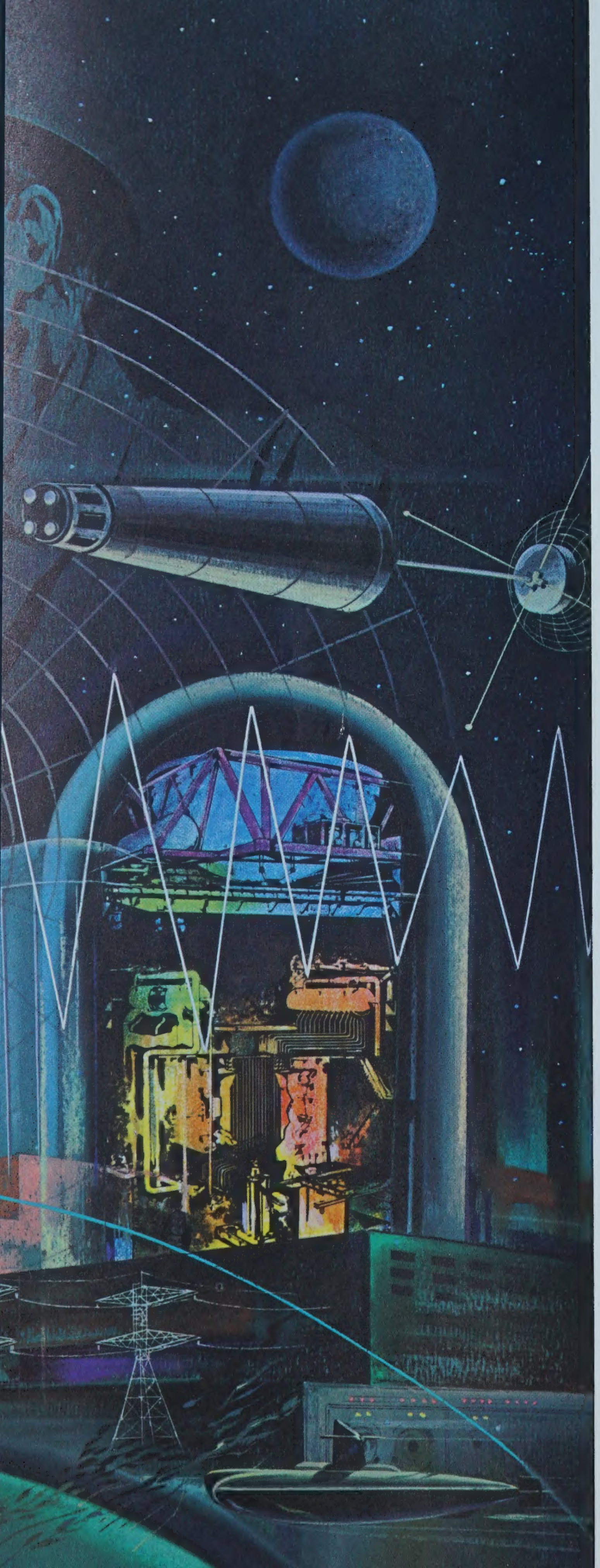
1966

The President
and
Directors of
DENISON MINES LIMITED
are pleased to present
the Annual Report
to Shareholders
for the year ended
December 31, 1966

Denison Mines Limited salutes the Centennial of Canada's Confederation. *We look forward to the second century in the development of Canada — aided by progress in the peaceful applications of nuclear energy.*

1867 | 1967





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Subsidiary Companies of DENISON MINES LIMITED

DENISON MINES (EUROPEAN) LIMITED
17-19 Place des Etats-Unis, Paris, France

DIRECTORS AND OFFICERS

Stephen B. Roman, K.C.S.G., *Chairman of the Board*
Jean Bodson, *President*
John Kostuik, *Vice-President*
E. B. McConkey, C.A., *Treasurer*
J. A. Mullin, Q.C., *Secretary*
Henri Tourret
Silvester von Herrmann

LAKE ONTARIO CEMENT LIMITED
2 Carlton Street, Toronto, Ontario

OFFICERS AND EXECUTIVES

The Hon. George A. Drew, P.C., Q.C., LL.D., *Chairman of the Board*
J. G. Pickard, *Vice-Chairman of the Board*
R. D. MacLean, *President and General Manager*
R. J. Reynolds, *Vice-President and Secretary-Treasurer*
J. D. Fowler, *Vice-President—Marketing*
R. C. Miller, *Vice-President—Planning and Development*
C. A. Gibbs, *Assistant Treasurer*
R. P. Sutherland, *Assistant Secretary*
C. W. Fox, *Works Manager*

DIVISION

PREMIER BUILDING MATERIALS
55 Eglinton Avenue East, Toronto, Ontario

WHOLLY-OWNED SUBSIDIARIES

ROCHESTER PORTLAND CEMENT CORP.
361 Boxart Street, Rochester, N.Y.

RYAN BUILDERS SUPPLIES (WINDSOR) LIMITED
210 Detroit Street, Windsor, Ontario

AFFILIATED COMPANY

PRIMEAU ARGO BLOCK CO., LIMITED
Brockport Road at Belfield, Rexdale, Ontario

Denison Mines Limited

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1966

OFFICERS AND DIRECTORS

OFFICERS	STEPHEN B. ROMAN, K.C.S.G., *Chairman and President* JOHN KOSTUIK, B.SC., *Vice-President and General Manager* JEAN BODSON, *Vice-President European Division* E. B. MCCONKEY, C.A., *Vice-President Finance and Treasurer* J. G. PICKARD, *Vice-President Industrial Division* JOHN C. PUHKY, *Secretary* A. F. RISSO, *Comptroller*
DIRECTORS	J. WILSON BERRY JEAN BODSON CHARLES F. W. BURNS The Hon. GEORGE A. DREW, P.C., Q.C., LL.D. F. H. JOWSEY JOHN KOSTUIK, B.SC. LOUIS R. PERINI JOHN C. PUHKY STEPHEN B. ROMAN, K.C.S.G. The Hon. HARRY A. WILLIS, Q.C. B. E. WILLOUGHBY
SOLICITORS	Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto, Ontario
AUDITORS	Eddis & Associates, Toronto, Ontario
BANKERS	The Royal Bank of Canada, Toronto, Ontario
REGISTRAR AND TRANSFER AGENT	Guaranty Trust Company of Canada, Toronto, Ontario; Montreal, P.Q.
HEAD OFFICE	4 King Street West, Toronto, Ontario
MINE OFFICE	Elliot Lake, Ontario
VANCOUVER OFFICE	402 West Pender Street, Vancouver, British Columbia
DENISON MINES (EUROPEAN) LIMITED	17 Place des Etats-Unis, Paris, France
DENISON MINES (U.S.) INCORPORATED EXPLORATION OFFICE	1575 Sherman Street, Denver, Colorado, U.S.A.

Denison Mines Limited

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1966

OFFICERS AND DIRECTORS

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JOHN KOSTUIK, B.SC., *Vice-President and General Manager*
JEAN BODSON, *Vice-President European Division*
E. B. MCCONKEY, C.A., *Vice-President Finance and Treasurer*
J. G. PICKARD, *Vice-President Industrial Division*
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DENISON MINES (EUROPEAN) LIMITED 17 Place des Etats-Unis, Paris, France

DENISON MINES (U.S.) INCORPORATED EXPLORATION OFFICE 1575 Sherman Street, Denver, Colorado, U.S.A.

President's Report

To the Shareholders:

I am pleased to submit the Annual Report of your Company for the year ended December 31st, 1966, and to report to you that our operations for the year resulted in a net profit of $8,488,000 or $1.90 per share. These figures reflect full-year delivery of uranium under the

Government stockpile contract which began in mid-1965, increased income from the oil and gas division, lower earnings by Lake Ontario Cement Limited and reduced revenue from investments due to the fact that a major investment had been sold in 1965.

Recognizing the continued growth of your Company your directors made two important changes in dividend policy. The first was to pay a further dividend in December, 1966 of 15¢ per share, raising the total dividend payout in 1966 to $1.40 per share. The second was the establishing of a policy, commencing in 1967, that dividends be paid on a quarterly basis, subject to review by the Board of Directors each quarter. Your directors gave immediate effect to this policy by declaring a quarterly dividend of 35¢ per share payable on March 15, 1967 to shareholders of record at the close of business on March 1, 1967.

Shareholders' equity in your Company reached a new high of $69,401,000, equal to $15.51 per share. The total dividends provided for by your Company since dividends first were paid in 1959, amount to $40,249,000.

The year 1966 witnessed a tremendous expansion in the number of nuclear power plants announced by many countries throughout the world. France, Germany and Italy, among other European countries, have planned substantial increases in their nuclear power programs. A particularly interesting market is developing with the rapid commitment of Japanese utilities to nuclear power. Two reactors are now operating, three more are under construction and still others are in the planning stages. Your Company, in assessing these developments, decided to conclude a long-term agreement with Mitsui & Co. Ltd., the largest trading company in the world, which will now be our exclusive agent for the Japanese market. A Japanese mission composed of government and industrial executives visited Canada during August and September to study the uranium situation and toured the Denison mine at Elliot Lake.

Indicative of the interest of potential European purchasers was the visit this summer of a German government-industry mission to Canada. In September, the first combined international trade fair and technical symposium on nuclear energy, Nuclex '66, was held at Basle, Switzerland. Your Company used this opportunity to advance its contacts with key purchasers in the European market and to make new contacts for future business. Potential consumers in the Middle-East and Asia were visited during the year to determine the part which your Company might play in the nuclear energy programs of these countries. The European Division has under review other business opportunities. The necessary planning studies are being continued for the development of sand and gravel deposits near Paris, France, presently held under option by your Company.

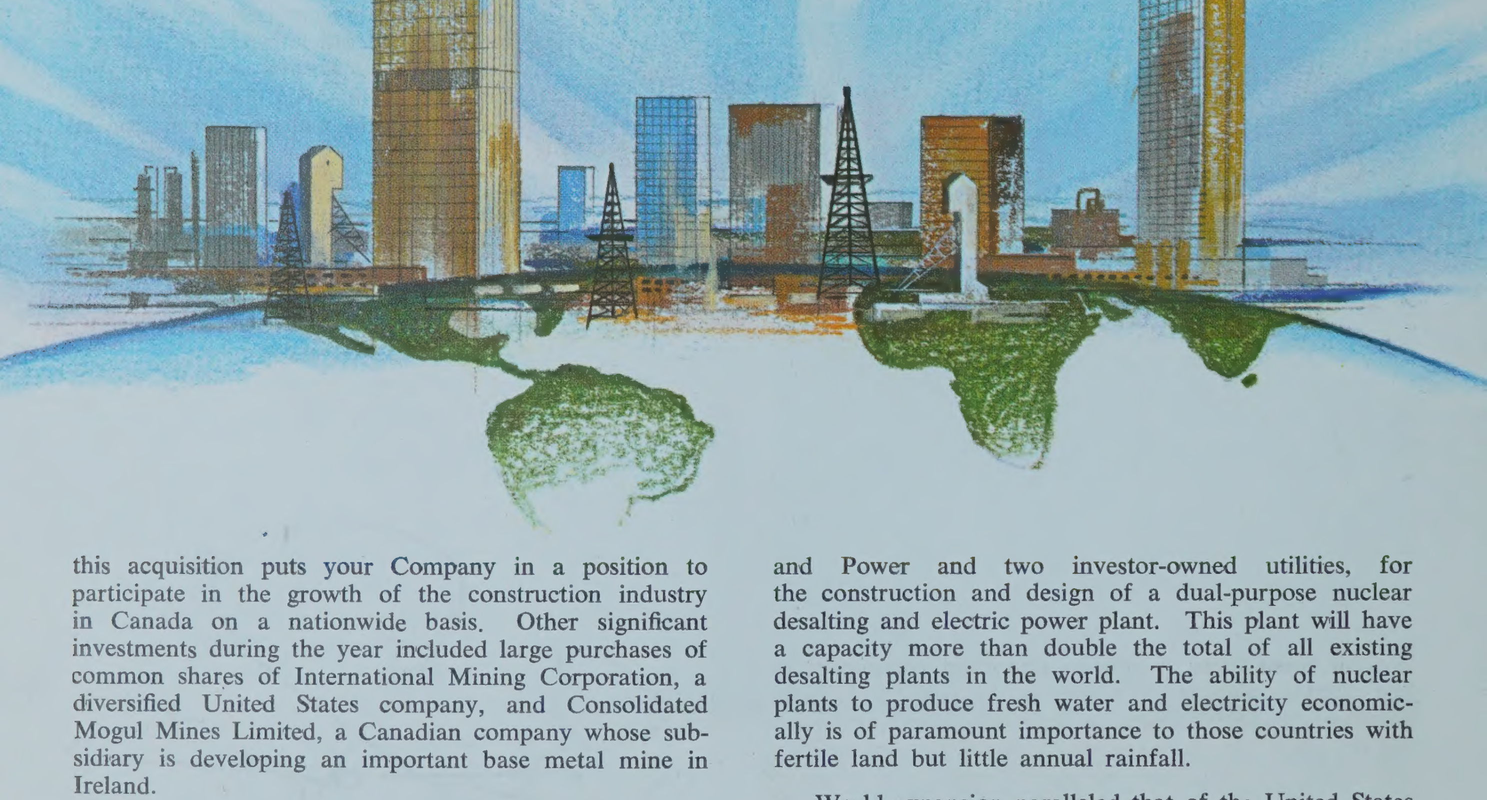
In preparation for the expected increase in demand for uranium, we initiated a dynamic and far-reaching program of improvement and extension in our mining and milling operations. New leaching circuits for the extraction of uranium were completed during the year and other projects are under way. During the year your Company negotiated contracts for the sale of our initial production of yttrium oxide to two major United States corporations. Work has begun on production circuits to extract yttrium oxide for delivery under the new contracts, beginning early in 1967. These contracts will add substantially to the profitability of your Company.

The rate of growth of the Oil and Gas Division in Western Canada continued at a satisfactory level. Production during the year totalled 829,000 barrels of crude oil and 910 million cubic feet of natural gas. Income increased 10% to $1,517,000 during the year on our investment of $9,579,000.

The results of our Industrial Division were adversely affected by non-recurring factors experienced by Lake Ontario Cement Limited relating to new plant installations and disruption of normal delivery patterns for the first half-year. Although there was in 1966 a decline in your Company's share of the net earnings of this subsidiary, which is 55% owned, to $794,000, the result of the expansion in the facilities of Lake Ontario Cement Limited and its subsidiaries has been to place them in a much better position to serve the construction industry.

The most significant single feature in the investments by your Company was the purchase in December, 1966 of 14% of the outstanding common stock of Canada Cement Company Limited. Your management feels that this acquisition puts your Company in a position to participate in the growth of the construction industry in Canada on a nationwide basis. Other significant investments during the year included large purchases of common shares of International Mining Corporation, a diversified United States company, and Consolidated Mogul Mines Limited, a Canadian company whose subsidiary is developing an important base metal mine in Ireland.

The Exploration Division continued to examine for your Company mining prospects throughout the world. Some of the important projects of the Company and its subsidiaries were exploration for iron in Quebec, copper in Ireland and uranium in both Canada and the United States. The properties being examined by your Company hold promise for future development. Our interests in the United States were enlarged by the opening of an exploration office by a subsidiary in Denver, Colorado.



In our Centennial year, we Canadians are taking a look at our history as well as projecting our thoughts to the future of our country. With this theme in mind, I would like to look back with you on the progress of the nuclear industry to date and relate its future progress to the position of your Company.

The year 1966 will be marked as the one in which nuclear power took an extremely dramatic turn throughout the world. In the United States, nuclear plants accounted for more than half of the new electrical generating capacity announced and totalled more than three times the capacity of all the nuclear plants announced prior to 1966. Nuclear energy clearly demonstrated its ability to compete with fossil fuel energy. This was most effectively demonstrated by the Tennessee Valley Authority in their selection of a 2,000 megawatts nuclear plant in proximity to major coal fields. Desalinization continued in 1966 to attract attention and was highlighted by a cooperative agreement between the Metropolitan Water District of Southern California, the Los Angeles Department of Water and Power and two investor-owned utilities, for the construction and design of a dual-purpose nuclear desalting and electric power plant. This plant will have a capacity more than double the total of all existing desalting plants in the world. The ability of nuclear plants to produce fresh water and electricity economically is of paramount importance to those countries with fertile land but little annual rainfall.

World expansion paralleled that of the United States and the year concluded with the first large-scale Canadian reactor at Douglas Point, Ontario, ready to produce power for the Ontario Hydro grid. In December, 1966 there were 10,000 megawatts of nuclear power generating capacity installed throughout the world, more than 31,000 megawatts of nuclear capacity contracted for and over 21,000 additional megawatts announced as planned for the future. Thus, at the end of 1966 we can foresee clearly the installation of more than 62,000 megawatts

in nuclear power plants in a total of twenty countries. Estimates for installed capacity for the year 1975 range from a low of 66,000 to a high of 93,000 megawatts. Almost four years remain in which nuclear plants could be committed for 1975 operation, so it is obvious that even these most recent estimates are conservative in character.

Developments in reactor technology have progressed to the point where it now takes about 54 months to build a reactor — less than the average time required from the start of exploration for new uranium deposits to the production of uranium oxide. This means that, even if the upsurge in exploration activity during the year results in the discovery of new ore bodies, production from them may lag some three to four years behind the commissioning of reactors.

The history of development of uranium mines is the story of production in response to guaranteed markets backed up by written contracts. These allowed producers to undertake crash programs of development and shorten the time required to get into production. At present, some consumers are showing hesitancy about making future commitments — but other utilities and agencies have made long-term contracts. Such contracts are, in the view of your Company, the only means which will ensure the new phase of rapid and steady expansion of uranium mining and milling to meet the needs of nuclear power plant operators. The lesson of history is that new potential producers will not make the necessary investment in exploration, development and equipment without reasonable assurance of stable demand and price for their product. In the absence of such assurance, new production could be delayed and additional supply not available to the market until it becomes so late that the pressure of demand forces an expansion in uranium, characterized by unplanned buying and mine development.

Fortunately, imbalances between supply and demand can be corrected by contracts between nuclear power plant operators and uranium producers, whose interests are both basically long-term in nature. For the utility, contracts will guarantee supplies for the life of the power plant — safeguarding output from this major investment. Moreover, contracts will give the utility stability in the cost of nuclear fuel, which, while much less than the cost of fossil fuels, is still an important component of the ultimate cost of electricity to the public. For the uranium producer, contracts will guarantee production for the mine. In exchange for this stability in production for which he can plan manpower, plant and financial requirement, the producer grants stability in uranium prices.

Your Company, therefore, is committed to a long-term program of planned development in the nuclear industry. Our strength lies in ownership and operation of the world's largest low-cost uranium reserves. With this asset we are able to guarantee at our present rated capacity of 6,000 tons of ore per day (or even at a potential capacity of 10,000 tons per day) to supply uranium concentrates for the life of any reactor. We have continued our planned development of mine, mill and exploration backed by financial strength. Throughout, we pursued our responsibility to you as shareholders to maintain this financial strength in preparation for the future which is now actually upon us. The work undertaken by our personnel will enable us to operate the mine at the highest levels of efficiency and production within a matter of months. I have already referred to our responsibility to the nuclear industry to which your Company is firmly committed: it is our intention to move ahead with developments in this industry and to encourage utilities to take a long-term view. Our plans to meet the demand for the next decades are made with absolute assurance of markets and continued profitability of our Company.

I would like to take this opportunity to express my gratitude to Mr. John Kostuik, Vice-President and General Manager, to Mr. Roy Jure, Director of Exploration, who has effectively organized the work of his division, and to Mr. Mario de Bastiani, Mine Manager, who participated in the initial development of the mine and is maintaining its operations at peak efficiency. I would also like to thank the other executives and staff of our organization who have worked so hard for you over the past year in order to maintain the high standards which I know you expect in the management and operations of your Company.

On behalf of your Board of Directors,

STEPHEN B. ROMAN,
Chairman and President.

Toronto, Ontario,
January 12th, 1967.

General Manager's Summary of Operations

The President and Directors,
Denison Mines Limited,
4 King Street West,
Toronto 1, Ontario.

Gentlemen:—

The foremost objective of your Company has been to press forward with preparations to meet the upsurge of world demand for uranium for nuclear power. A dynamic program is under way to make improvements and renewals in mining and milling facilities and to make a large new section of the mine quickly accessible and ready for the large scale production that is anticipated.

To meet these objectives capital expenditures of \$1,983,000 were made during the year and several projects of prime importance were initiated.

Plant Improvements

The first of these, a major improvement in the uranium leaching plant begun in 1965, was completed and went into operation in mid-August. Because portions of the original leaching plant required renewal it was decided to replace it with a new plant incorporating many design improvements, allowing us to obtain the advantages of higher efficiency, lower maintenance costs and lower operating costs for reagents and supplies. In addition, the compact design of the new plant makes available valuable space for future expansion and for other circuits.

Yttrium — an exciting new product of your Company

During the year a dramatic increase in the demand for yttrium oxide developed as a result of its highly successful application in improving the brightness and trueness of colour rendition in colour television picture tubes. A second new application that is expected to prove equally important is the correction of the colour balance of mercury-vapour lamps.

Your Company has seized this very favourable opportunity to implement its plans for the extraction of yttrium oxide as a by-product of the uranium recovery process and to become a major supplier of this scarce metal oxide in early 1967. The high demand, which is expected to increase, the limited world supply and Denison's strong position as a long-term producer, make this an extremely important development for your Company's future.

The new yttrium oxide circuits, nearly complete, are designed to use existing mill facilities, not presently needed for uranium recovery, supplemented by new and specialized equipment. Agreements have been made with Michigan Chemical Company and Yttrium Corporation of America (controlled by Molybdenum Corporation of America) for the sale of all the yttrium oxide at the initial level of operations. An important feature to note is that, as a by-product, yttrium oxide production will increase with the uranium milling rate. An intensive research program is energetically developing improvements for the process with the objective of early production of more yttrium oxide to meet the intensifying demand.

A new decade of progress

Your Company often has stressed that the Denison orebody at Elliot Lake is its most important asset and is the most valuable deposit of uranium in the world.

This has been the keystone in your management's preparations to meet future production requirements. Projects of vital importance marking the beginning of a dynamic new decade of progress for the Denison mine have been initiated. Some have begun, others are in the planning stage but all have as their objective the timely transformation of the orebody into valuable and essential products of the nuclear age under conditions of maxi-

mum profit for shareholders with favourable opportunities for a satisfying, good life for employees and their families.

A project of first importance signals the beginning of this progressive new phase in our operations. This is a main opening, now begun, which will be 6,200 feet long, 25 feet wide and 10 feet high and which will connect the present Denison underground workings with those of the former Can-Met property at their boundary. It will be a main artery of the mine that will give access to, and allow detailed exploration of, large ore reserves; it will ensure that well ventilated working faces are ready for the rapid and sustained increase in production that will result from major uranium contracts.

A project now in the advanced planning stage is a new underground crushing and conveying system which, in addition to serving new areas of the mine, will make possible very significant economies in the efficient collection, transportation and handling of ore and will have the flexibility and tonnage capacity to be an integral and essential part of the master design for mine improvement and preparedness.

Other investigations from which we expect to obtain very substantial gains in productivity and operating efficiency also are being emphasized and accelerated. These include methods of ore beneficiation, underground leaching, development of additional mechanized mining techniques and the application of new concepts in mining equipment and in process development.

A program for accelerated progress has been blocked out; we are instituting it aggressively to ensure maximum advantage from carefully planned, low-cost operations combined with a high production capability for your mine.

Nuclear Energy Upsurge and Demand

The upsurge in the demand for nuclear power plants in the United States, which began in 1965 with the announcement of 8 reactors of a capacity of 5,847 megawatts, accelerated in 1966 to 28 more reactors announced with a capacity of 23,000 megawatts, a result not forecast by even the most ardent believers in nuclear power generation.

The world highlight in nuclear power in 1966 was the decision by T.V.A. to build a nuclear plant at Brown's Ferry, Alabama. For the first time the capital cost of a nuclear plant was lower than that of a conventional plant, as well as the fuel cost being lower than the cost of coal from this major United States coal-producing region.

In Ontario, the Hydro-Electric Power Commission began operating its first large-scale nuclear power plant at Douglas Point. Of 200 megawatts capacity, this plant will feed power to the Ontario Hydro grid early in 1967. Under construction at Pickering, Ontario, are the first two units of the largest installation planned in the world to this date. These plants demonstrate the remarkable level of public acceptance of nuclear energy as a safe, clean and quiet power source which can be built in close proximity to heavily populated and industrialized centres.

While, understandably, we in North America are continually impressed with the growth of nuclear power on our continent, other regions of the world are also experiencing rapid growth. In 1966 there were 66 nuclear power reactors in operation or under construction in Europe with a total capacity of 13,242 megawatts. During 1966 another two-dozen planned European reactor projects were announced totalling over 10,000 megawatts. This figure continues to grow and clearly indicates both the trends to increased use and to much larger size units.

The projected nuclear generating capacity in the non-communist world will be up to 93,000 megawatts by 1975 and 225,000 megawatts in 1980. The annual requirements for uranium oxide will be approximately 32,000 short tons in 1975 rising to 65,000 tons for 1980. On a cumulative basis 256,000 tons of uranium oxide will be required to 1975 and 409,000 tons by 1980.

Denison Mines Limited, with its orebody containing approximately 150,000 tons of uranium oxide, has the reserves to provide security for these utilities moving into the nuclear energy field. It agrees wholeheartedly with the statements made many times throughout the year that an adequate price per pound will provide the incentive to assure discovery of new orebodies and the continuation of research and development to maintain future prices at moderate levels.

The extremely attractive economies of combined desalting and power plants, based on nuclear energy, led to the launching of a major project in Southern California. Of giant scale, this plant will produce 1,800 megawatts of electricity and 150,000,000 gallons of fresh water per day at a cost of 22¢ per 1,000 gallons.

A recently completed feasibility study for a dual-purpose plant for Israel resulted in the design of an optimum reference nuclear plant, producing electricity at 5.3 mills per kWh and fresh water at about 30¢ per 1,000 gallons — more economical than a similar fossil fuel plant. The size and economy of such plants make them potentially applicable in many countries throughout the world and, therefore, foretell another expansion in the use of nuclear power in the future.

The breakthrough in the peaceful applications of nuclear energy has come and we are continuing to improve our readiness to supply the demands of these new markets.

Respectfully submitted,

J. KOSTUIK
Vice-President & General Manager

January 12th, 1967
Toronto, Ontario

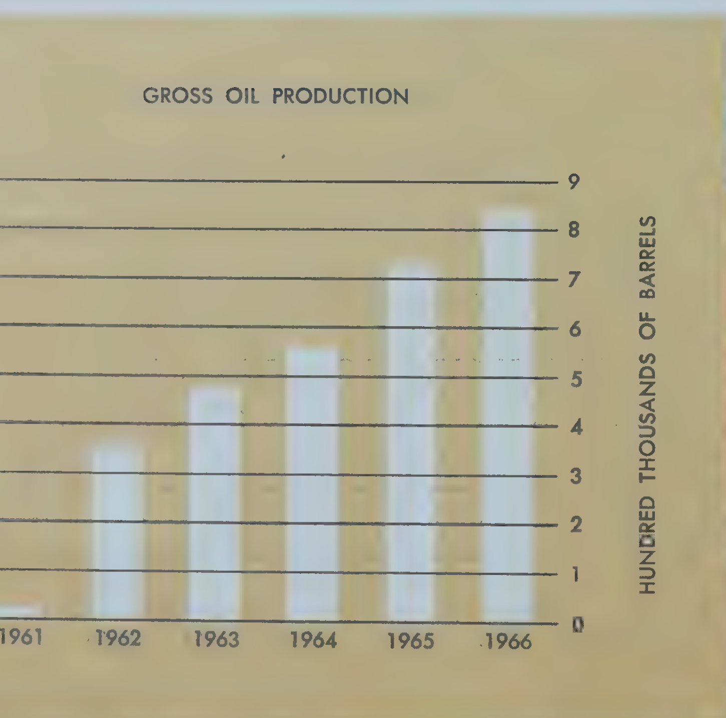
Oil and Gas Division

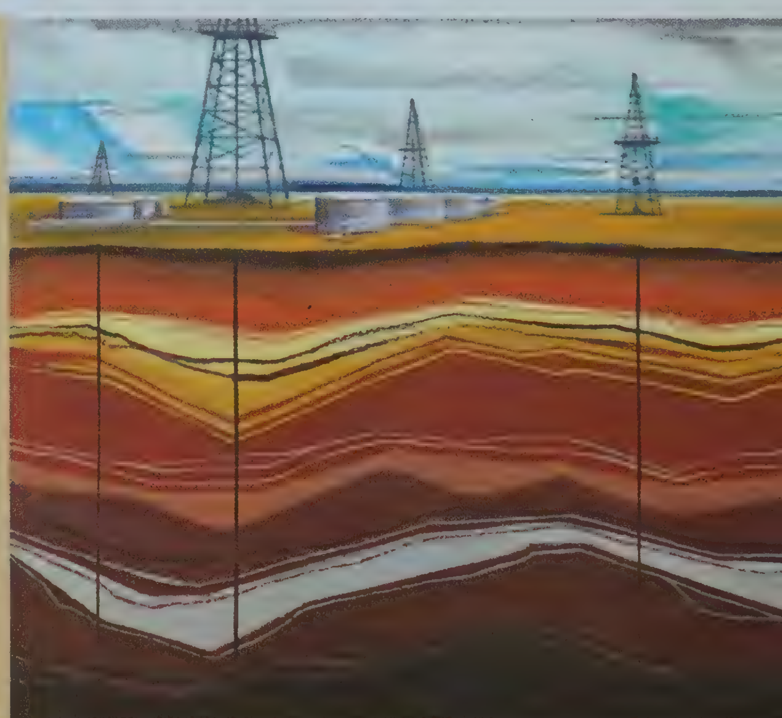
The Oil and Gas Division continued its growth, showing increases in both reserves and annual production. Gross proven reserves at year end increased from 29.0 to 31.3 million barrels, while total proven and probable additional reserves increased from 36.1 to 38.7 million barrels. Gross oil production increased 14% to 2,270 barrels per day for a 1966 total of 829,000 barrels.

This Division was established only 5 years ago in 1961. Your Company now has an investment of $9,579,000 in the Oil and Gas Industry. Total production now has reached the 3 million barrel mark and has returned a total income to your Company of $5,420,000.

During the year, producing leases in the Swan Hills Fields and the Leafland Field were unitized with equities resulting in the House Mountain, Morse River and Leafland South Cardium units. Working interests are now held in ten units, nine of which are producing under enhanced waterflood recovery schemes — all performing very satisfactorily.

In 1966, one wholly-owned oil well was successfully drilled in each of the following fields: Mitsue, Nipisi and Niton. Your Company now has non-unitized producing interests in 7 different fields. It is anticipated that two of these interests will be unitized and waterfloods instituted in 1967.



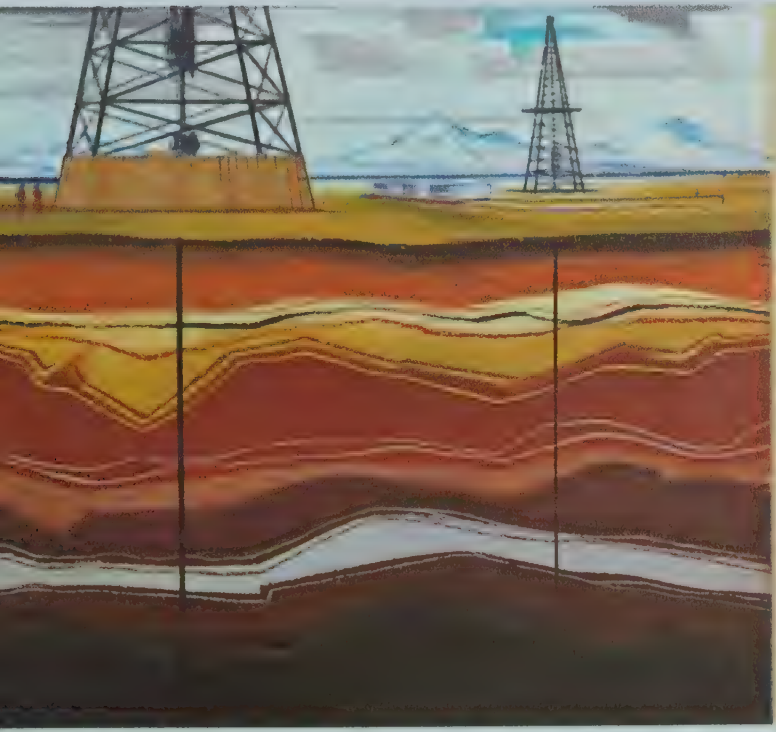


Artist's impression of oil a

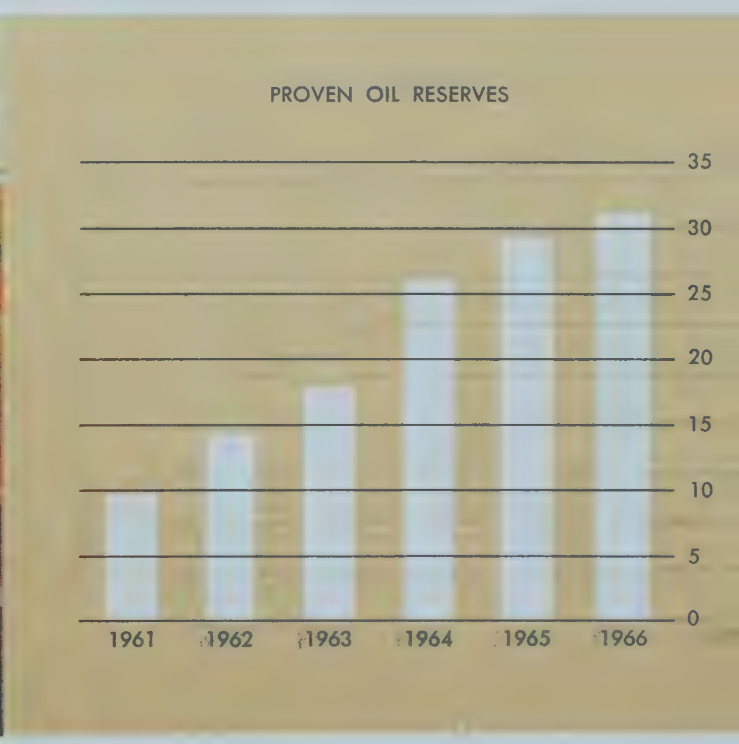
Gross proven oil reserves at year end were 31,278,000 barrels which, at current rates of production, is a life-index of 37.8 years. Total proven and probable additional gross remaining recoverable reserves were 38,772,000 barrels. Disposable natural gas reserves totalled 21 billion cubic feet.

The most signficant development in the Oil Industry during 1966 was the exceptional rate of discovery of oil and gas in the Rainbow-Zama Lake area of Northern Alberta. Crude oil reserves in this region are growing rapidly but new markets are not developing at a corresponding rate. Aggressive efforts by industry and a firm National Oil Policy directed by the Federal Government are required if the industry is to continue as a healthy member of the Canadian economy. It is imperative that markets be found so that, in the not too distant future, Canadian production and consumption will at least balance and the present annual oil net import cost of $230,000,000 will be eliminated.

Increased revenue is expected next year from this Division. Greater activity is also planned, especially in the Rainbow-Zama Lake area.



s field under development



Industrial Division

The results of the operations of Lake Ontario Cement Limited in 1966 were mixed: sales continued to increase above the previous year, but net earnings declined. Sales at $20,839,000 were 11% higher than those of 1965 at $18,844,000. For the year ended December 31, 1966, profits were $1,440,000 compared to $2,104,000 for the year 1965.

At year end, Lake Ontario Cement reported that it was in the most favourable cement inventory position in its history and it looks forward to continued improvement following the period of expansion and construction.

The second phase in the expansion of the Picton plant ended with the completion of the new cement grinding mill, dock silos and loading facilities. Major difficulties were experienced in the start-up and break-in of the new cement kiln cooler. In addition, major reconstruction work which interfered with production was required during the year on the original plant.

The new bulk distribution silos at Windsor, Ontario were completed during the year and filled with cement transported from Picton by the new leased lake ship 'Métis', which entered service at the start of the 1966 shipping season.

The studies reported last year, for the construction of a cement plant at Watertown, New York, indicated that new capacity will be required only for the long term, so that this market will continue to be served from existing plants. Rochester Portland Cement Corporation

Lake ship "Métis" loading cement at Picton

and its divisions, Mohawk Valley Cement and Cayuga Cement, showed increased sales.

The Premier Building Materials division of Lake Ontario Cement is meeting the increased demand for ready-mixed concrete through the construction of a new permanent plant to replace a portable plant used to date to serve West Toronto. The Hamilton, Ontario plant is operating effectively from the new ready-mix facilities opened last year.

Ryan Builders Supplies (Windsor) Limited maintained its position as the major manufacturer of concrete block and pre-stressed concrete structural members and distributor of ready-mixed concrete and building materials in the Windsor area of Ontario.

Primeau Argo Block Company Limited experienced a profitable year in the operation of its four concrete block plants serving the growing region of Metropolitan Toronto and environs.

Since 1961 when your Company first invested in Lake Ontario Cement Limited, the investment in the physical assets of this company has increased to $37.2 million primarily through the application of internally-generated funds. We expect that the potential of these assets will be realized in the generation of satisfactory profits on operations.

Your company retains its 50% interest in Denhay Holdings Limited, which owns a 400 acre commercial/residential property in the city of Oakville, Ontario. This land will be held for future development.

Ready-mix trucks of Premier Building Materials

Exploration Division

In line with the objective of developing attractive exploration opportunities over a broad geographic and mineral commodity range, an exploration office has been opened in Vancouver, B.C. This office will provide closer contact with exploration developments in Western Canada. On behalf of a U.S. subsidiary of your Company, an office has been opened in Colorado, whose work is oriented principally to uranium exploration in the United States. However, it will also afford an effective base for exploration for other minerals in that country. In addition, field offices are located at Elliot Lake, Ontario and Limerick County, Ireland. These, with the main office in Toronto, provide the Exploration Division with effective and strategically located bases from which to carry out examinations and studies of mineral occurrences and to maintain close contact with exploration activities.

A field crew has mapped and sampled the area in Northern Quebec, staked for iron by the Company in 1965. The work has disclosed a potential reserve of two billion long tons of magnetite iron formation that can be concentrated to a high-grade product on a ratio of somewhat less than 3 to 1. Several factors are in favour of the eventual development of these deposits on a major scale. The area also includes an extremely large reserve of hematite iron formation that one day may become economic. We regard these holdings as a great potential reserve for your Company.

In Ireland, diamond drilling in conjunction with geophysical and geochemical surveys has disclosed the presence of low-grade disseminated copper mineralization with silver values in the Vale of Aherlow area. The economic possibilities are not yet clear and further work is planned. A prospecting license covering an area in Lough Corrib has been taken up and detailed investigation will follow.

Our uranium exploration is being expanded. As part of this program an option was taken on certain claims owned by Candore Explorations Limited in the Blind River district. Several hundred claims in the same district have also been acquired by staking. In the United States a substantial acreage has been optioned in the Tallahassee Creek area of Colorado and a program of investigation by our subsidiary is in progress which includes drilling.

Your Company is participating in Coranex Limited with four other major Canadian mining companies. Coranex is carrying out an intensive field reconnaissance program in British Columbia and the Yukon using the most advanced techniques.

Several of our affiliated companies are active in exploration in Ireland, Nevada (U.S.A.), Northern Ontario and the Gaspé area of Quebec.

The Exploration Division in 1967 will continue to expand its activities to meet the objectives of your Company.

Mine Manager's Report

The Vice-President and General Manager,
Denison Mines Limited,
4 King Street West,
Toronto 1, Ontario.

The following report is a resume of the Elliot Lake operation of Denison Mines Limited for the year ended December 31, 1966.

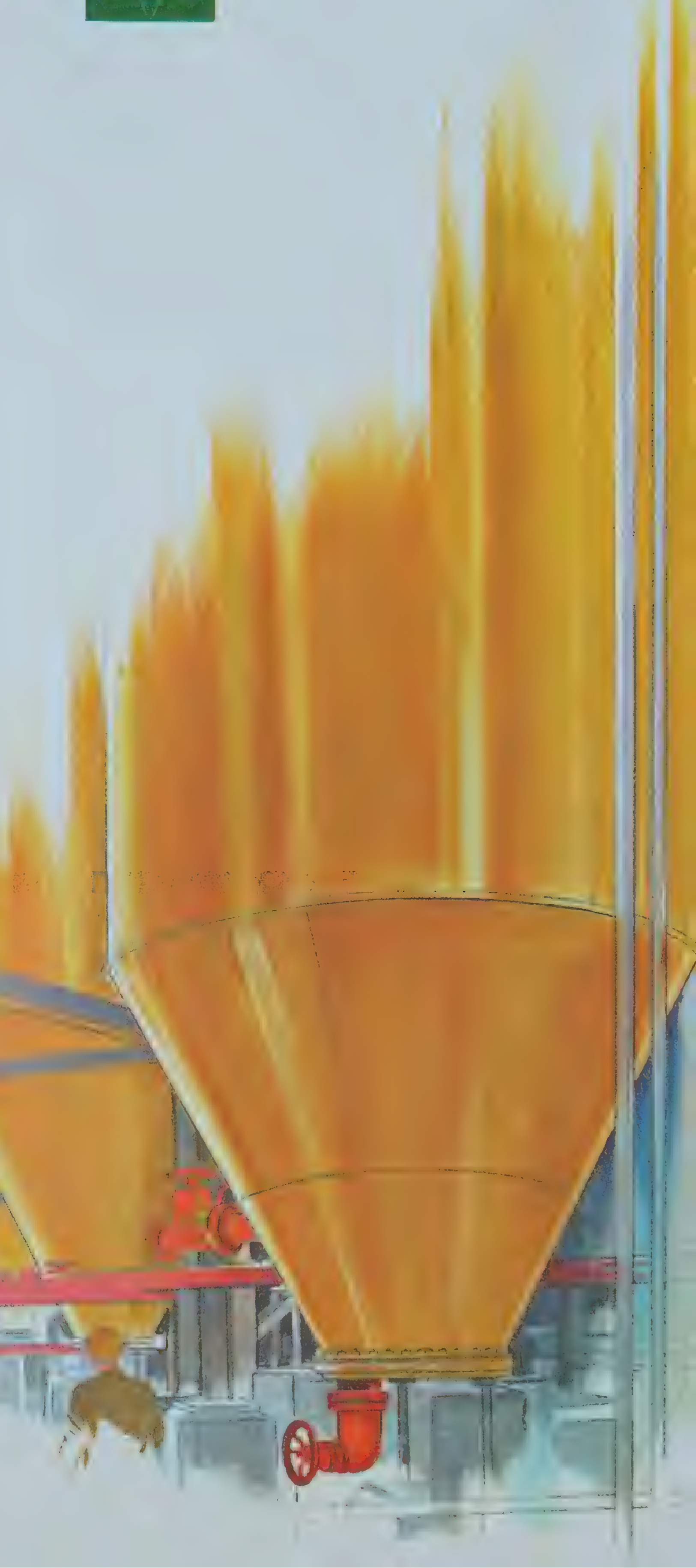
Emphasis was placed, during the period, on analysing all departments and functions to prepare the operation for increased capacity and efficiency to meet the challenge of the future.

MINING

Mining continued to be localized in the northeast and southwest areas, from which ore was moved by the present conveyor systems to the No. 1 Shaft. Production from these areas will be phased out as the Axis 'B' conveyor system is completed and ore extraction shifts to this location. Development work on this system was advanced during the period and an underground crusher station has been planned. Late in the year, development headings were started to explore and develop the orebody east and west of the workings from No. 2 Shaft. Readily accessible developed ore reserves were increased from 3,000,000 tons to 3,200,000 tons.

Ventilation capacity was increased from 300,000 c.f.m. to 500,000 c.f.m. early in the year. Additional work to further improve the ventilating system was concentrated underground: the various vitiated and fresh air streams were isolated by a series of concrete block walls, urethane foam-coated bulkheads, overpasses and underpasses. A 6,200-foot drive has been started to the east which will break into the Can-Met lower workings and make the two Can-Met shafts available for future expanded ventilation requirements.

The total tonnage of ore broken amounted to 975,486 tons while the waste tonnage was 21,067 tons. Of the



total of 979,384 tons of ore hoisted, No. 1 Shaft accounted for 913,449 tons and No. 2 Shaft 65,935 tons. Headings were advanced for a total of 28,648 feet. The grade of ore hoisted averaged 2.86 pounds of U_3O_8 per ton.

The shortage of available skilled manpower for mining is still a major problem facing the industry. The miner training program instituted last year, which has graduated 84 trainees, has enabled the operation to maintain the level of the underground force. The Company is participating in and cooperating with committees of industry and government which have been set up to alleviate the situation.

Extensive research work has been initiated in the development and use of new mining methods and new loading and hauling equipment to increase the productivity of available manpower.

MILLING

The new leaching plant which was added to the complex was put on stream in mid-year and is operating satisfactorily. Expected operating costs and performance are being met and additional improvements are projected.

During the year the Company entered the field of rare earth recovery and an initial process for the recovery of yttrium oxide was developed. Part of the former leaching area has been dismantled to accommodate the new yttrium oxide recovery circuit which will soon be in full-scale production.

A total of 981,709 dry tons of ore was processed for a daily average of 2,922 tons, which is higher than the 2,624 tons milled per day in 1965. Recovery was maintained at 94.97% as compared to the previous year's average of 95.27%.

Investigations and research are being carried forward on the methods and economics to upgrade the feed to the mill by a preconcentration step and to produce higher grade products.

SAFETY

The policy of safe production on the job and vigilance of the hazards off the job is constantly conveyed to the employees of the various departments and sub-sections at regular meetings. This, along with all the programs instituted during the years, has again helped us to maintain a good safety record, with the accident frequency being reduced from 27.2 to 23.1 compensable accidents per million man-hours worked.

Again this year one of our mine rescue teams distinguished itself by winning the District Competition, and then put on a creditable performance in the All-Ontario finals.

EMPLOYEES AND COMMUNITY

Relations with the employees, which have always been on the highest plane since the start of production, were brought back to that level after two minor incidents during the year which were the result of misunderstandings. The employees in the industry, it is reported by the Dominion Bureau of Statistics, are, on the average, amongst the highest paid workers in Canada.

It is gratifying to report that even though we are a relatively young company, by year-end we recognized 42 employees with 10 years of service, and an additional 344 with at least five years of service.

Elliot Lake Secondary School graduates were again recipients of the Denison scholarships for continuing education.

The Denison bi-monthly publication, 'Nucleus', is highly accepted by the employees and other interested parties.

ACKNOWLEDGEMENTS

The energy and devotion of the department heads and their staffs have been heavily drawn upon to meet the construction schedules and development programs. The contribution of the following is especially brought to your attention: Mr. M. D. Rowswell, Mine Superintendent; Mr. D. Laschuk, Chief Enginer; Mr. N. E. Gillick, Master Mechanic; Mr. A. Russell, Electrical Superintendent; Mr. J. P. Reszel, Mine Accountant; Mr. G. E. Giles, Purchasing Agent; Mr. C. B. Banks, Personnel Manager; Mr. R. J. Gunning, Mine Geologist; and Mr. G. L. Hammond, Safety Director.

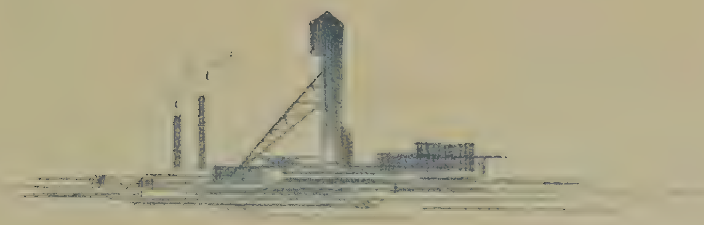
We acknowledge with deep gratitude the continued support of the Officers and Directors of the Company.

Respectfully submitted,

M. J. de Bastiani,
Mine Manager

January 11th, 1967
Elliot Lake, Ontario

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 1966 AND SUMMARIES FOR A FIVE-YEAR PERIOD



FINANCIAL SUMMARY

	1962	1963	1964	1965	1966
Net Profit	$10,176,469	$ 9,404,166	$ 7,087,000	$11,417,000	$ 8,488,000
Net per Share	$2.28	$2.10	$1.58	$2.55	$1.90
Shareholders' Equity	$56,068,056	$60,428,602	$62,920,000	$67,625,000	$69,400,577
Equity per Share	$12.53	$13.50	$14.06	$15.11	$15.51

OPERATING SUMMARY

	1962	1963	1964	1965	1966
Tons of Ore Broken	1,808,011	1,661,397	1,232,742	874,544	975,486
Tons Milled	1,828,993	1,586,600	1,275,384	889,391	981,709
Percent Recovery	93.11	94.72	95.57	95.27	94.97
Average Grade (lbs U_3O_8/ton)	2.88	3.34	3.14	2.93	2.86
Pounds U_3O_8 Produced	4,844,259	5,078,760	3,950,364	2,561,164	2,748,602

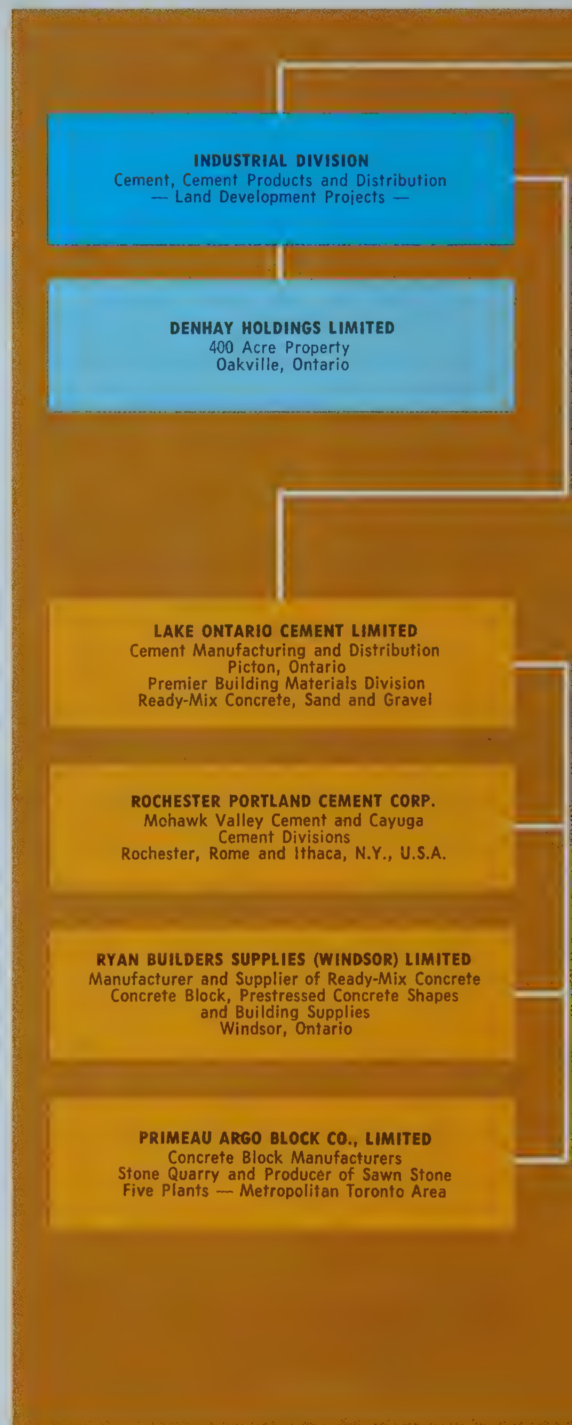
Other Investments

Your Company continued its identification with the mining and natural resources industries by new major investments during the year. A substantial share interest was purchased in International Mining Corporation, a diversified company engaged primarily in the natural resources extractive industries and allied fields. The corporation is the largest shareholder in Molybdenum Corporation of America, a major producer of molybdenum at its Questa, New Mexico property and of rare earth oxides at Mountain Pass, California. Subsidiary and affiliated companies mine precious and base metals in South America, Mexico, United States and Canada. A wholly-owned subsidiary of the corporation operates one of the largest marine terminals on the Atlantic Seaboard at Baltimore, Maryland. International Mining Corporation is a large shareholder in Brazilian Light and Power Limited.

Your Company also became a significant shareholder in Consolidated Mogul Mines Limited whose subsidiary, Mogul of Ireland Limited, is bringing a lead-zinc-silver property located in Ireland into production at the beginning of 1968 at a planned rate of 3,000 tons per day. Consolidated Mogul participates in an extensive program of exploration activity, directly and through other subsidiary or affiliated companies, in Canada and Ireland.

Midepsa Industries Limited, in which your Company holds a substantial interest and which in turn holds a 40% interest in Minera Bayovar, has been working with the management of Minera towards the finalization of drawings and engineering estimates for the potash and phosphate project located in Peru. It is expected in 1967 that a definitive plan of construction and financing will be offered to the shareholders of Midepsa.

Your Company has concentrated in specific areas this year with an overall view of investments that reflect the general diversification program. Further opportunities are currently being reviewed.



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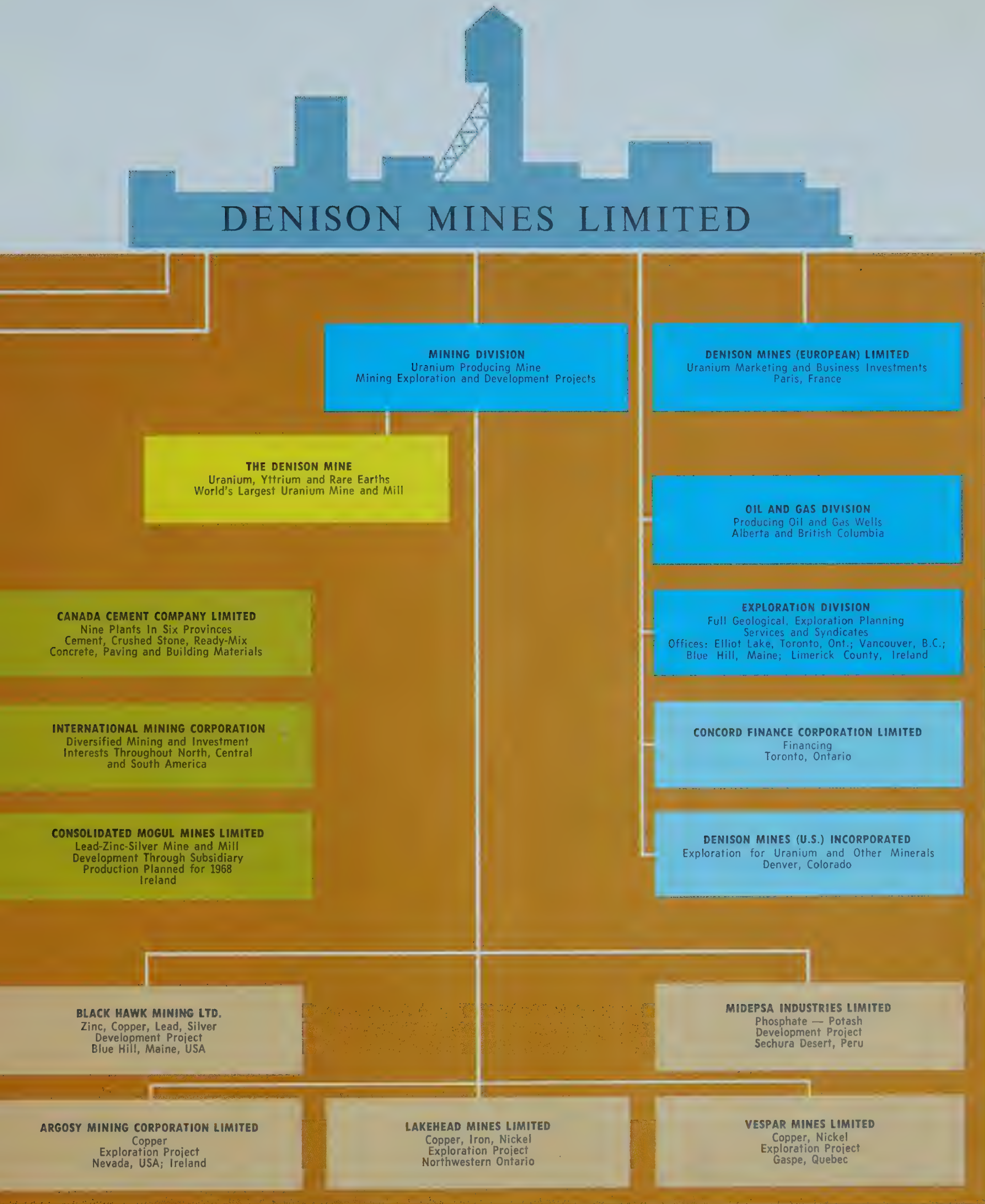

E MAJOR SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTMENTS OF DENISON MINES LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1966

Profit before items shown below		$4,885,295
Revenue from investments		2,852,059
		7,737,354
Deduct		
Directors' fees	$ 26,050	
Provision for Ontario mining tax	70,000	
Provision for depreciation and depletion	410,237	506,287
		7,231,067
Profit on sales of fixed assets		462,752
Share of net earnings of an unconsolidated subsidiary		793,719
Net profit for the year		$8,487,538

CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1966

Balance at January 1, 1966	$59,560,258
Net profit for the year	8,487,538
	68,047,796
Dividends	6,712,054
Balance at December 31, 1966	$61,335,742

AUDITORS' REPORT

To the Shareholders,
Denison Mines Limited.

We have examined the consolidated balance sheet of Denison Mines Limited as at December 31, 1966 and the consolidated statements of operations and earned surplus for the year ended on that date. Our examination of the financial statements of Denison Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of operations and earned surplus present fairly the financial position of the companies as at December 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDDIS & ASSOCIATES,
Chartered Accountants.

Toronto, Canada,
January 11, 1967.

DENISON MINES LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1966

ASSETS

Current Assets		
Cash in banks	$ 605,171	
Marketable securities — at or below cost (quoted market value $5,220,015)	5,847,774	
Accounts receivable including concentrate settlements	1,287,771	
Supplies and prepaid expenses	1,034,484	
Mortgages and other secured loans including $200,000 from an unconsolidated subsidiary	930,769	$ 9,705,969
Special Refundable Tax		116,691
Investment in Other Companies — at cost		
Shares (including shares costing $31,188,847 with a quoted market value of $30,085,631)	$31,682,346	
Bonds and debentures	4,337,250	36,019,596
Mortgages and Other Secured Loans, not including amounts shown above		8,534,345
Investment in Unconsolidated Subsidiary — Lake Ontario Cement Limited		
Shares (costing $6,341,298 with a quoted market value of $10,392,773)	$ 9,217,584	
Debenture	400,000	9,617,584
Concentrates held for sale — at cost		3,620,225
Property, Plant and Equipment at cost less acccumulated depreciation and depletion of $46,862,975		16,796,355
		$84,410,765

Approved on behalf of the Board of Directors:

GEORGE A. DREW, Director.

J. W. BERRY, Director.

LIABILITIES

Current Liabilities		
Banker's loan — secured	$10,200,000	
Accounts payable and accrued charges	3,041,953	
Dividends payable	1,696,573	
Provision for Ontario mining tax	71,662	$15,010,188
Shareholders' Equity		
Capital Stock		
Authorized:		
6,000,000 shares of $1.00 par value each	$ 6,000,000	
Issued and fully paid:		
4,474,703 shares	$ 4,474,703	
Earned surplus	61,335,742	
Contributed surplus	3,590,132	$69,400,577
		$84,410,765

The accompanying notes are an integral part of the Consolidated Financial Statements and should be read in conjunction therewith.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1966

1. The consolidated financial statements include the accounts of all subsidiary companies and the results of their operations for the year, except that the accounts of Lake Ontario Cement Limited (partly owned) and its subsidiaries are excluded. The investment in shares of Lake Ontario Cement Limited is stated in the consolidated balance sheet at cost plus the company's share of consolidated earnings of such subsidiary since control was acquired, which share, insofar as it related to the current year, is included in the consolidated statement of operations. In the company's view, this method provides the most effective form of presentation of its financial condition.
2. Supplies are valued at cost except that inactive materials are at estimated realizable value.
3. Mortgages and other secured loans due within one year are included in current assets except for the sum of $4,991,692 owing by or guaranteed by a director, the maturity date of which was extended during the year. The company (through a subsidiary) holds an option to purchase a sand and gravel deposit located near Paris, France the consideration for which may be satisfied in whole or in part by the application, after obtaining the necessary French exchange control approval, of any amounts owing by or guaranteed by such director at the date of exercise of the option.
4. Development expenditures made in 1966 for the purpose of preparing mining areas beyond current requirements have been deferred at December 31, 1966 and will be written off in an appropriate manner when such areas are brought into production. Petroleum and natural gas lease acquisition costs and development expenditures are amortized on the unit of production method based on estimated reserves. Plant and equipment at the company's mine properties acquired before 1965 was written off in prior years; subsequent additions and all other plant and equipment of the companies are being depreciated over their estimated useful lives.
5. Provision for Ontario mining tax has been made in this and prior years in accordance with the bases on which the company was assessed for 1963 and prior years. It is possible that a reduction of such provision for tax may result from current procedures before the Ontario Municipal Board.
6. The company has received a notice of re-assessment which claims Federal income tax for the year 1961 in the amount of $2,391,245, plus interest. The principal item in dispute is the disallowance by the tax authorities of expenditures in respect of main haulageways or similar underground works which were capitalized by the company for tax purposes only. In the opinion of tax counsel such disallowance in the re-assessment is unfounded in law and notice of objection contesting the amount claimed has been filed. The same issue is applicable to certain years subsequent to 1961, but the liability for income taxes, if any, in respect of such years is indeterminate pending settlement of the 1961 re-assessment. It is estimated, however, that there is no liability for income taxes for the current year because of deductions available for tax purposes. The company has assigned to the Receiver General of Canada, to the extent of any income tax liability as may be finally determined in respect of the year 1961, its rights to receive payment under a contract in which the company has agreed to sell uranium concentrates to Her Majesty represented by Eldorado Mining and Refining Limited.
7. The company has guaranteed payment of the liability of a wholly-owned subsidiary as endorser of a promissory note in the amount of $950,000 of a borrower and holds as security a debenture constituting a first mortgage and floating charge on the assets of the borrower.
8. The company is the defendant in an action commenced in the Supreme Court of Ontario in which a royalty of $750,000 is claimed under an agreement to which one of the companies which amalgamated as the company was a party. The company denied any liability in respect of this claim and after the trial of the action judgment was given in favour of the company. The plaintiff appealed to the Court of Appeal for Ontario and the appeal was dismissed. The plaintiff has appealed further to the Supreme Court of Canada but this appeal has not yet been heard.
9. The company is one of the defendants in an action commenced in New York in the Federal court arising out of the sale in 1965 of the company's investment in General Baking Company in which action a claim for $2,000,000 (U.S.) out of the sale price is made on behalf of all other stockholders. The company intends to move to dismiss the action as a class action and in the opinion of counsel for the company there are good grounds for such motion.
10. Included in revenue from investments is interest of $45,851 from an unconsolidated subsidiary and net gain on security transactions of which $269,635 is gain realized from the sale of investment in shares of other companies.

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